WEEKLY ECONOMIC REVIEW

May 12, 2006

In a widely expected move, the U.S. Federal Reserve Board raised its key interest by 25 basis points (0.25 percentage points), to 5.0 per cent. The Bank of Canada's overnight rate presently stands at 4.0 per cent.

The U.S. dollar remained under pressure in global currency markets through most of the week. While the greenback gained some support on Friday morning due to an unexpected decline in the U.S. trade deficit (which fell by $3.6 billion in March, to $62 billion), it renewed its decline against the Euro on expectations of a hike in the European Central Bank rate.

Canada's trade surplus fell to $5.1 billion in March (from $5.9 billion in February), as imports grew at three times the pace of exports. The lower-than-expected Canadian trade surplus contributed to a pullback in the Canadian dollar, which earlier in the week had reached a new 28-year high of 91.0 cents U.S.

Alberta's housing market remains exceptionally strong. In April, housing starts receded from the record pace set in March, but were up 3.5 per cent from the same month last year. Year-to-date, Alberta's housing starts are up 26.3 per cent.

Cdn Dollar (C¢/US$)

May 12, 2006	90.2 ¢
May 5, 2006	90.3¢
2006-07 YTD	88.5¢

WTI Oil $US/bbl

May 11, 2006	$73.32
May 4, 2006	$69.94
2006-07 YTD	$70.70

Nymex Natural Gas C$/mcf*

June Contract

May 12, 2006	$7.14
May 5, 2006	$7.73

*Estimate based on Nymex Futures Market Price

Data on housing prices provided further evidence of Alberta's booming economy. In March, prices for new homes in Calgary were up 29.6 per cent from the previous March (the largest 12-month increase of any major Canadian city). New house prices were up 14.3 per cent in Edmonton.

Alberta enjoyed the highest productivity growth of any province in 2005, according to figures released by Statistics Canada. Alberta's labour productivity (roughly defined as the quantity of goods produced per hour worked) increased by an impressive 3.0 per cent last year. For Canada as a whole, productivity rose by a robust 2.2 per cent, double the national rate of productivity growth over the previous five years.

Economic Indicators Released this Week	Reference Period	Month/Previous Month	Month/Previous Year's Month	Year-to-date[1]
Housing Starts[2]	**April**			
Alberta	44,900	-19.2%	3.5%	26.3%
Canada	218,100	-13.3%	-8.1%	9.9%
New House Price Index	**March**			
Alberta	184.2	4.5%	27.3%	23.3%
Canada	146.0	1.0%	7.7%	7.1%
Canadian International Trade ($ Millions)	**March**			
Exports	38,252	1.1%	6.0%	7.8%
Imports	33,109	3.6%	5.2%	4.3%
Trade Balance	5,143	-12.2%	11.7%	33.6%

Source: Statistics Canada and Canada Mortgage and Housing Corporation

[1] *Year-to-date 2006 compared to the same time period in 2005. For example: January-March 2006 versus January-March 2005*

[2] *Seasonally Adjusted at Annual Rates*